



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## SUMMARY OF THE PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM INVESTMENT COMMITTEE

HELD ON  
Wednesday, February 20, 2013  
9:00 a.m.

The Arizona State Retirement System (ASRS) Investment Committee (IC) met at 3300 N. Central Avenue, 14<sup>th</sup> Floor, Phoenix, AZ 85012. Mr. Tom Connelly, Chair of the IC, called the meeting to order at 9:01 a.m.

### 1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Tom Connelly, Chair  
Prof. Dennis Hoffman, Vice-Chair (via conference call)  
Mr. Mike Smarik (via conference call at 9:14 a.m)

Absent: None.

A quorum was present for the purpose of conducting business.

### 2. Approval of Minutes of the November 13, 2012 Investment Committee Meeting

**Motion:** Prof. Dennis Hoffman moved the minutes of the November 13, 2012 Investment Committee meeting be adopted. Mr. Tom Connelly seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

***Mr. Mike Smarik arrived at 9:14 a.m. via conference call during the following agenda item.***

### 3. Presentation, Discussion, and Appropriate Action Regarding Investment Program Updates

Mr. Gary Dokes, CIO, provided an overview of the agenda item. Mr. Dokes gave an introduction of the new formatting to the updates for both agenda items three and four, respectively. Mr. Dokes noted the bifurcation of roles between the Investment Management Division (IMD) and the General Investment Consultant (NEPC) by which the CIO and IMD will provide a comprehensive overview of the Investment Program, while NEPC will provide their independent reporting, monitoring and oversight of the program.

Mr. Dokes provided a detailed explanation of the elements listed in the IC and Board reporting exhibits; discussing the various parties involved in the reporting as well as the periodicity of the reporting.

Mr. Dokes also stated that the ASRS Investment Performance Report (IPR) will be disseminated to designated staff and IC Trustees quarterly and be labeled as confidential/non-

public. Mr. Connelly requested that between quarterly updates the Trustees be alerted to significant changes to managers if they occur. Mr. Dokes confirmed the IC Chair would be notified during his monthly conference call with IC Chair and an email would be sent to IC Trustees informing them of these changes.

Mr. Dokes asked each IMD Portfolio Manager (PM) to discuss their thoughts on their respective asset classes and IMD's House Views. Mr. Dokes provided updates regarding the Private and Public Markets Committee activities, portfolio positioning, SAAP implementation and other IMD Activities.

Mr. Kien Trinh, State Street Investment Analytics, presented the State Street report; discussing the monthly reallocation summary, month-end risk profile, total plan exposure, and total plan stress tests. Mr. Connelly requested that consideration be given to modify the Total Plan Exposure Overview page as follows:

- Within the Sector (Public US Equity Only) box: Use a broader equity market index than the S&P 500 Index.
- Within the Country Category (Total Plan) and Market Cap (Public Equities Only): Provide over- and under-weights to an appropriate fund benchmark.

Mr. Dokes presented the Securities Lending Risk Metrics. Mr. Connelly expressed his support and appreciation of this report.

#### **4. Presentation, Discussion, and Appropriate Action Regarding Independent Reporting, Monitoring and Oversight of the ASRS Investment Program – Includes Investment Performance Report Q4-12**

Mr. Dan LeBeau, NEPC Consultant, provided background information regarding the NEPC independent reports. Mr. LeBeau noted that NEPC would calculate and present performance attribution moving forward.

Mr. Connelly requested that NEPC make the following updates/changes:

- With regard to the NEPC presentation, focus on identifying and communicating the most relevant metrics for the Trustees to focus on in the NEPC reports.
- With regard to Attribution, provide a footnote that ASRS returns are net of fees and perhaps annually include a management fee exhibit in their reports. Mr. Connelly noted that management/transaction fees are excluded from Total Fund Policy.
- With regard to Goal #6 (Cash Management): include verbiage denoting what components comprise cash-in and cash-out.
- As part of the NEPC independent review, provide comments as to what IMD House View(s) NEPC agrees or disagrees with or is uncomfortable with and note any alerts that should be discussed with the IC.

Mr. LeBeau stated that he would work with staff to make the recommended changes.

#### **5. Presentation, Discussion, and Appropriate Action Regarding the Private Markets 2013 Implementation/Pacing Plans**

Mr. Polen provided a brief overview of the real estate and private equity pacing plans. Ms. Kerry White, Private Markets Asset Manager, conducted a presentation of the on-line fund tracking tool used to manage ASRS private market investments. All IC Trustees commented favorably on the presentation.

***Mike Smarik departed the IC meeting at 12:00 p.m., just prior to the following agenda item.***

## 6. Requests for Future Agenda Items

For the upcoming Roundtable: discuss a blended approach on assumptions.

## 7. Call to the Public

No members of the public requested to speak.

## 8. Adjournment

The meeting adjourned at 12:16 p.m.

Respectfully submitted,

Chasity Byrd  
Investment Committee Secretary

Date

Gary Dokes Chief Investment Officer	Date
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